SECONDARY LEAD*

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A few weeks ago when I accepted your Secretary's request to say a few words to you on recent developments in the field of secondary lead, I thought it advisable to re-read the talk which I gave before you here three years ago. This was a good idea since I found that what I said at that time about the past was quite correct but when I ventured into predicting future events, my record shows up as a very poor one. As we are supposed to learn from the mistakes of our past, I shall confine my few remarks here today to some of the developments during the past three years.

In 1947, the secondary lead industry could justifiably celebrate its entrance into big business by having reached, for the first time in the history of this country, the half-million ton mark. This was quite an event which we explained as most extra-ordinary and caused by two specific developments; on one hand, because of surplus Government accumulations which were sold in the after-war period and on the other hand, because of the steady and considerable increases in the price of lead after the expiration of the O.P.A., which brought out all the hoarded accumulations of scrap. As we assumed that all these surplus accumulations had disappeared by the end of 1947, we predicted that the 1948 figure would show a considerable drop. However, this was not the case and in 1948, the secondary lead industry again contributed another half-million tons to our industry. It was not until 1949 that the tonnages finally declined to something like 400,000 tons and remained at approximately the same figure for 1950. For the present year, my good colleague, Mr. Clancy, estimated in his recent San Francisco talk that another 400,000 tons of secondary lead will be generated.

Frankly, I must confess that these figures do not seem quite logical. In 1947, when the secondary industry produced more than 500,000 tons, this country only had thirty-seven million motor vehicles on the roads. The last report which I read indicated that we now have about fifty-million motor vehicles and since about 50% to 60% of our scrap comes from auto batteries, one would think that our production from secondary sources should be constantly increasing. Even though the cycle in the return of battery lead takes about two years, it would seem logical that in view of the constantly increasing auto registration in this country, the secondary lead figure should increase correspondingly.

During the present shortage of scrap, however, some of our industries such as the utilities are undoubtedly reducing their normal cable scrapping operations because of difficulties in obtaining supplies of new cable. To what extent this may influence our 1951 figure is difficult to estimate but I am hopeful that the tonnage thus withheld from the scrap market will not amount to a great deal as compared with the huge tonnages we are speaking of here.

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According to a recent survey, approximately 35% of our lead goes into storage batteries, 15% into cable, 12% into lead-tin alloys, 11% into gasoline, 9% into the building industry, 8% into white lead and litharge, 2% into ammunition and the balance of 8% into miscellaneous uses. This distribution has remained fairly constant over the past few years and as we must eliminate the use of lead for gasoline and paints from the scrap cycle, it is obvious that battery plates will continue to supply the large bulk of scrap to our industry and that we cannot anticipate any important change in the overall supply of scrap from all sources for a long period of time.

As we look back today to the after-war period; by this I mean after World War II, we certainly must admit that we have gone through some exciting and highly speculative periods and since secondary markets are always more sensitive than virgin markets, we have witnessed some very unusual developments in the field of secondary lead. It was either a feast or a famine and there were few months of normal and stable conditions. To illustrate my point, during this after-war period, at one time treatment charges for battery plates were as high as $125 and a few months later, the demand for scrap was such that the treatment charge was forced down to zero. For those who are active in the secondary lead industry, it was necessary to develop strong nerves and not to be surprised at sudden changes. The fever chart of our patient was most erratic and he either showed symptoms of abnormal weakness or abnormal strength; and so he needed very careful watching.

For the past six months while we have been suffering here and abroad from a shortage of lead, we have seen some very regrettable and deplorable situations develop. Consumers who were unable to obtain their normal supplies of virgin lead did not hesitate to raid the secondary markets for whatever supplies they could find there, using whatever methods they could to purchase scrap at prices far above the established virgin markets, thereby causing havoc in the entire industry. This has resulted in a dislocation of the worst kind and I do not believe I am exaggerating when I say that the secondary industry today has the appearance, more or less, of a battlefield, with victims lying around here and there. Plants which have been operating for years on regular supplies of scrap were forced to either shut down completely or to curtail their operations considerably simply because they were unable to obtain supplies at profitable levels, thus forcing them to withdraw from the market. Other smelters, taking advantage of the temporary situation, are working day and night, offering their services to those who are willing to pay any price to obtain additional lead. Self-control has probably never been practiced to any extent in our economy and from a human viewpoint, we can well understand the position of a purchasing agent who may be worried that his plant may not be able to operate next month for lack of lead and is therefore willing to use all sorts of unorthodox practices to obtain the maximum needs of the plant. This same purchasing agent will probably be the first one to complain bitterly about Government interference in business, despite the fact that he was the very one who invited Government control of our industry.

I am sorry to say that our secondary lead industry today is in a most unhealthy state and although I dislike interference by Government agencies as much as others, I can only say that I sincerely hope that the long-awaited price regulations will soon come into being and return our industry to somewhat of a normal state. I fully realise that there is nothing, not even Government regulations, which can replace the short supply of lead existing today but I do hope that price regulations will at least result in a fairer distribution of scrap supplies to all the smelters and consumers and wrest domination of our industry from those who are willing to pay the highest price.

As long as the heart of our patient is in good condition, and I still believe it is, I am not worried about the future and I sincerely hope that one day, we shall be able to look back to the developments of the past six months with more detachment than we can today.

We all feel proud of our free economy and speak with contempt of those who have chosen a controlled system but I wonder why we forget at times that a free economy imposes upon us a responsibility of discipline and self-control and I sincerely hope that in the future all members of this industry will cooperate for the benefit of the entire group.